

2019-2020 YEAR IN REVIEW



INVESTMENT ADVISER
ASSOCIATION

2019-2020 YEAR IN REVIEW



- 1** Letter from President & CEO and Board Chair
- 3** The State of the Investment Adviser Profession
- 9** Advocacy
- 30** Active Managers Council
- 33** Compliance
- 40** Engagement » Information » Education
- 46** Celebrating David Tittsworth
- 49** Partners
- 50** Investment Adviser Association Staff
- 51** IAA 2020 Officers and Board of Governors

LETTER FROM IAA PRESIDENT & CEO KAREN BARR AND BOARD OF GOVERNORS CHAIR CHRIS CARSMAN

We are proud to present the Investment Adviser Association's 2019-2020 Year in Review. During this year of unprecedented challenge, the IAA has worked to advance your interests and promote the value of fiduciary advice to investors, policymakers, and the public. We have engaged in strong advocacy on the key policy issues facing the investment adviser community. And we have provided critical information, resources, and community to help our members operate and grow their businesses.

In this uniquely challenging year, the IAA took the lead in helping our members navigate the uncharted waters of the COVID-19 pandemic. We developed a fulsome coronavirus resource section of our website to help members confront the business, regulatory, legal, and client relations dilemmas the pandemic created. We conducted regular member calls, presented timely and thoughtful analyses and guidance through webinars and briefing calls, and added a dedicated section to our online newsletter *IAA Today* to keep members up-to-date on relevant developments. We sought and obtained important regulatory relief for members related to the crisis, including with respect to filing and reporting deadlines and in-person fund board meetings. And we are advocating to make some of that relief permanent. We will continue our efforts to respond to ongoing member needs during the pandemic.

Before, during, and despite the pandemic, the IAA advocated tirelessly for you on a wide range of important policy issues. The new SEC Standards of Conduct rulemaking, proxy issues, modernizing the Advertising Rule,

amending the Custody Rule, addressing trading issues, and syncing regulation with technology developments (e.g., electronic delivery) are just a few of the areas we have pursued in the regulatory arena. Indeed, the IAA continued to be at the forefront of the fiduciary debate over the past two years. Our high quality advocacy on the SEC's standards of conduct rulemaking package was reflected in the final fiduciary interpretive release and Form CRS. We then engaged with SEC staff on interpretive issues and FAQs and developed robust Form CRS implementation resources and an active working group to assist members. We also successfully opposed imposition of additional regulations on advisers, including financial responsibility, account statement, and licensing requirements.

Tax issues — including reinstatement and expansion of advisory fee deductibility — have been among our highest legislative advocacy priorities. We have also continued to advocate strongly for a level playing field for all types of investment strategies — including active and passive management and sustainable investing. The IAA will be campaigning anew on those and other issues when the new Administration and Congress are sworn in.

In the coming years, we are committed to working collectively with our members to seek to promote diversity, equity, and inclusion as a value for our industry and to providing education, information, and resources to help foster significant change. We will also continue our programs to help members solve business imperatives through our Executive Roundtables, conferences, surveys, and best practice

resources. The IAA provides strong networks to build peer relationships and share information and that network is growing.

Details on all of this — as well as on our compliance, education, member engagement and other programs — fill this report.

While this year has been challenging in so many ways as a country, we also experienced a loss of a more personal nature at the beginning of 2020 — the untimely passing of our friend and longtime former IAA President & CEO David Tittsworth. During his 18-year tenure, he grew and modernized this organization, raised the profile of the

adviser profession, and touched everyone he knew with his kindness and generosity of spirit. We recall David in this publication — which he launched many years ago — as well.

We look forward to working with all of our members in what we hope will be a better year — to continue to strengthen our already trusted voice in critical policy arenas, and to provide enhanced services and resources that will be of even greater value to your firms. As always, we are grateful for your active involvement and welcome — and encourage — your suggestions and feedback.



Karen L. Barr
IAA President & CEO



Chris Carsman
Chair, IAA Board of Governors

THE STATE OF THE INVESTMENT ADVISER PROFESSION

*Dynamic Growth Pushes Jobs, AUM, Number of Firms to Record Highs
Pandemic-Related BCP Becomes Top Compliance Concern*



The universe of SEC-registered investment advisers continued its vibrant growth through 2018 and 2019, as documented in our [2020 Evolution Revolution](#) report. Each year, our industry set new records for the number of advisers, employment and aggregate regulatory assets under management (RAUM), which topped \$97.2 trillion at the end of 2019 – underscoring investment advisers’ crucial value to investors, the economy, and capital markets.

The impact of COVID-19 disruptions on Business Continuity Planning replaced Cybersecurity as the industry’s top compliance concern.

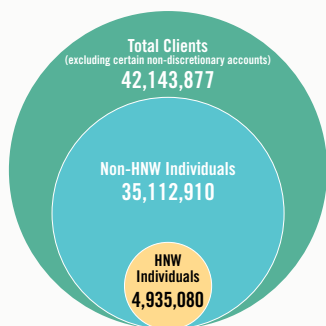
The Advisory Industry by the Numbers

Evolution Revolution's findings are based on data reported by advisory firms to the Securities and Exchange Commission each April. Our 2020 report contains data on nearly 13,500 SEC-registered investment advisory firms – up by nearly 1,000 from two years earlier. In every key metric, our industry showed solid growth – demonstrating that investors continue to recognize the value of fiduciary advice and are increasingly turning to investment advisers to help them achieve their goals and navigate their financial futures.

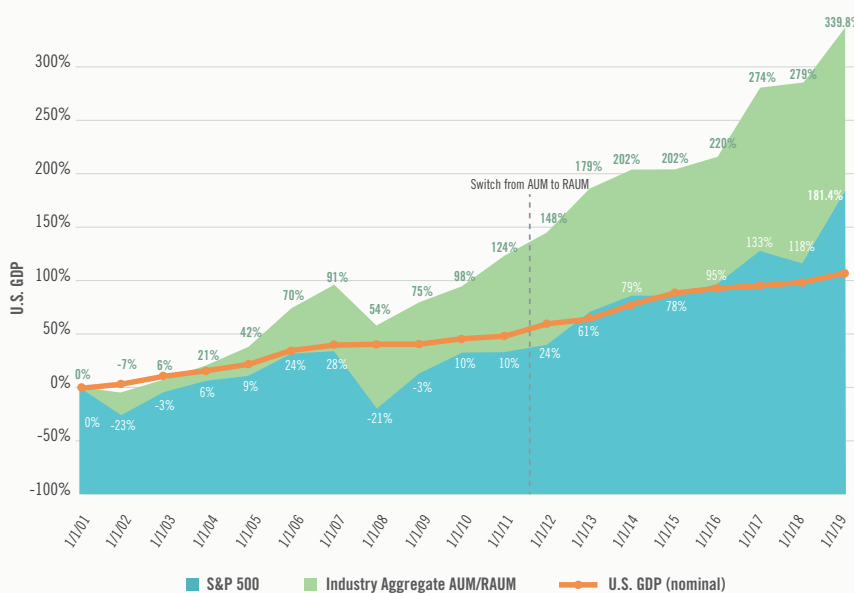
Key findings in our 2020 report include:

- **The number of SEC-registered investment advisers continues to grow at a steady pace** – and has reached yet another record high. This report contains data on 13,494 SEC-registered advisers, reflecting a net increase of 3.9 percent over the previous year. Two years ago, there were 12,578 federally registered advisers.
- **The advisory community continues to experience strong job growth, creating a record number of investment advisory positions.** In our 2020 study, SEC-registered advisers reported a total of 871,971 non-clerical employees – up 4.4 percent over the year before and nearly 66,350 more than at the end of 2017. Of these employees, more than half (451,536) provide investment advisory services (including research).
- **The aggregate RAUM managed by SEC-registered advisers has grown to a record \$97.2 trillion.** RAUM managed by investment advisers grew 16.2 percent from \$83.7 trillion one year earlier. Two years ago, aggregate RAUM stood at \$82.5 trillion.

Individuals Comprise the Largest Categories of Advisory Clients

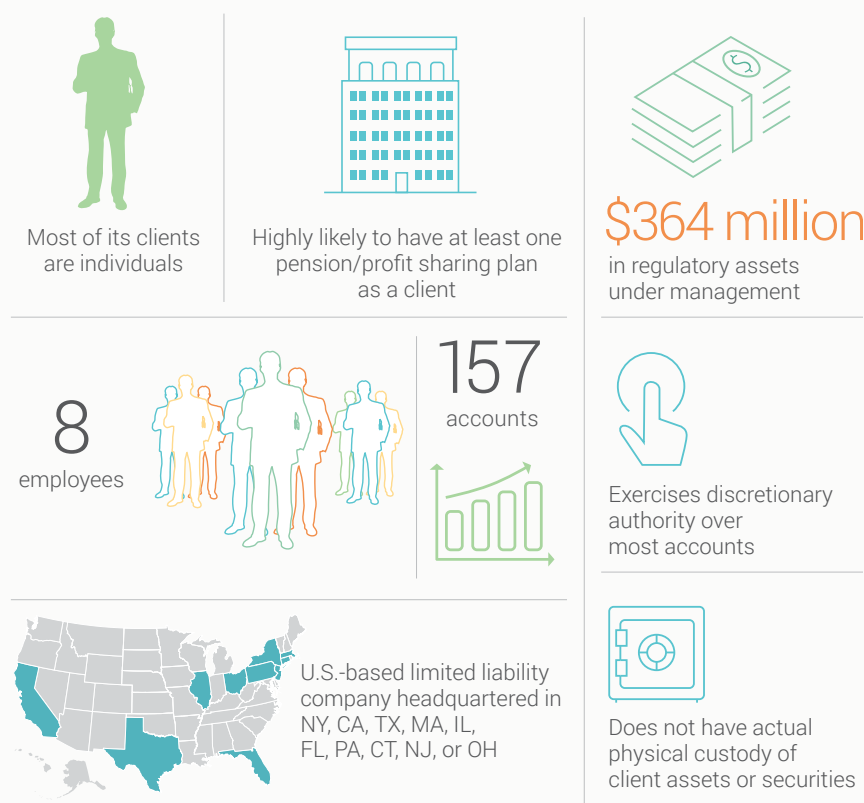


Total RAUM has Grown at a Faster Pace than the Overall Economy

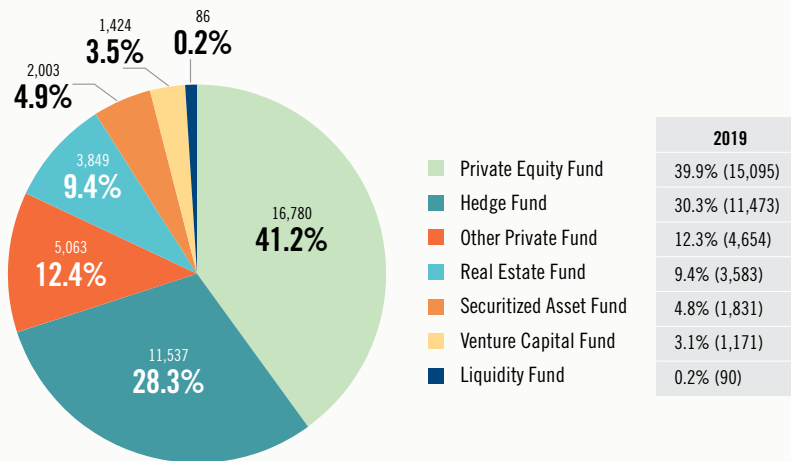


- **The vast majority of SEC-registered investment advisers are small businesses.** Small businesses are the core of the investment adviser community. In 2019, 57.4 percent (7,749) of advisory firms reported that they employ 10 or fewer non-clerical employees, and 87.6 percent (11,819) reported employing 50 or fewer non-clerical individuals. At the opposite end of the spectrum, the largest 116 firms employ 53.7 percent of all non-clerical employees.
- **SEC-registered investment advisers serve more than 42 million clients.** Individuals comprise the largest category of advisory clients. Individual clients (95.0 percent of total clients) – in particular, non-high net worth individuals (83.3 percent of total clients and 87.7 percent of individual clients) – comprise the vast majority of clients by a wide margin. High net worth individuals make up 11.7 percent of total clients. Investment advisers manage \$12.8 trillion on behalf of individuals. Two years ago, federally registered advisers served 34 million clients.
- **The bulk of RAUM resides in pooled vehicles.** Registered investment companies (\$33.3 trillion) and private pooled investment vehicles (\$26.0 trillion) together represent \$59.4 trillion – 61.1 percent – of the total \$97.2 trillion RAUM. The number of private pooled investment vehicle clients is up by 4.9 percent.

The 2020 “Typical”* SEC-Registered Investment Adviser

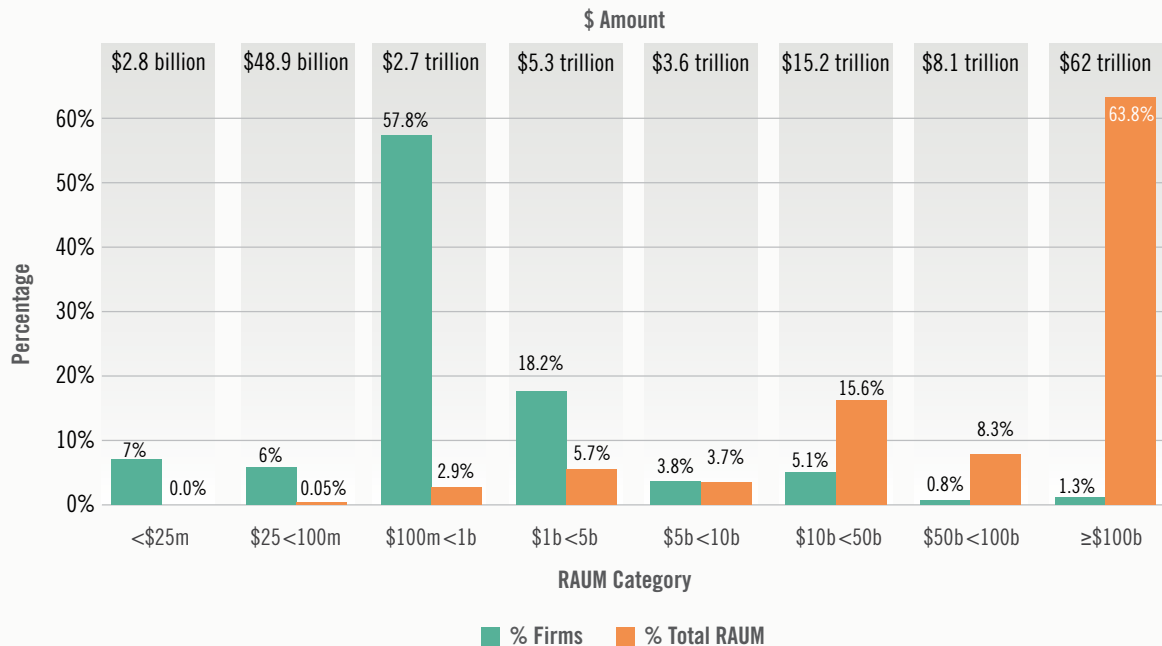


Types of Private Funds: Private Equity Funds Increase Gains While Hedge Fund Growth Decreases from 2019



- **Private equity funds are pulling away from hedge funds in popularity.** In 2019, 4,840 advisers reported advising 40,742 private funds with a total gross asset value of \$19.1 trillion, up from 4,520 advisers and 37,873 private funds and up from \$14.9 trillion gross asset value in 2019. While the percentage of hedge funds and private equity funds was exactly equal four years ago, their popularity as a pool of choice continues to diverge, with private equity funds now making up over forty (41.2) percent of privately offered funds and hedge funds representing less than thirty (28.3) percent in the private fund space. The percentage of private funds that are private equity funds increased almost two percent over 2018, while the percentage of hedge funds decreased by two percent, a rate of decrease similar to that from 2017 to 2018.
- **Digital advice platforms are expanding the market for advice.** Two of the top five advisers as measured by number of non-high net worth individual clients served are digital advice platforms, representing 7.5 million clients, an increase of 2.7 million clients from our 2019 report. These clients tend to have lower – and in some cases zero – account balances.
- **Nearly three-quarters of advisers have RAUM attributable to separately managed accounts.** 9,878 advisers (73.2 percent) have RAUM attributable to separately managed account clients. Two years ago, 8,690 advisers had RAUM attributable to separately managed accounts.
- **Relatively few advisers engage in borrowing or derivative transactions in SMAs.** 1,659 advisers (12.3 percent) engage in borrowing transactions on behalf of any of the separately managed account clients that they advise. 1,793 advisers (13.3 percent) engage in derivative transactions on behalf of any of the separately managed account clients that they advise.

The Industry Barbell – The Largest Firms Manage More than Half the Assets



Compliance Challenges and Concerns

Business Continuity Planning related to COVID-19 is now the top concern of investment management compliance professionals – edging out Cybersecurity, which had headed their rankings of hot topics for six consecutive years.

Compliance officers from 384 investment adviser firms participated in the [2020 Investment Management Compliance Testing Survey](#), an annual survey now in its 15th year. Firms managing \$1 billion to under \$10 billion in regulatory assets under management (RAUM) accounted for 43 percent of the respondents. Roughly half of the remaining respondents were from firms managing \$10 billion or more, with the other half managing less than \$1 billion. The survey ran from April 20 through May 31, 2020.

While nearly two-thirds (64 percent) of respondents cited COVID-19-related BCP as the hottest compliance topic, an overwhelming 88 percent reported that COVID-19 had caused no material impact to their firm. Fully 81 percent of responding firms reported that all of their employees were working from home.

Completing the top five compliance hot topics identified by respondents were: Cybersecurity (57 percent); Advertising/Marketing (25 percent); Conflicts of Interest (21 percent); and ESG/Sustainability (14 percent). More than half (55 percent) of responding firms reported conducting a mock SEC exam in the past year, up from 30 percent in 2019.

Other notable survey findings include:




93%
of firms have a
Cybersecurity
program

54%
have adopted written
Anti-Bribery and
Corruption policies

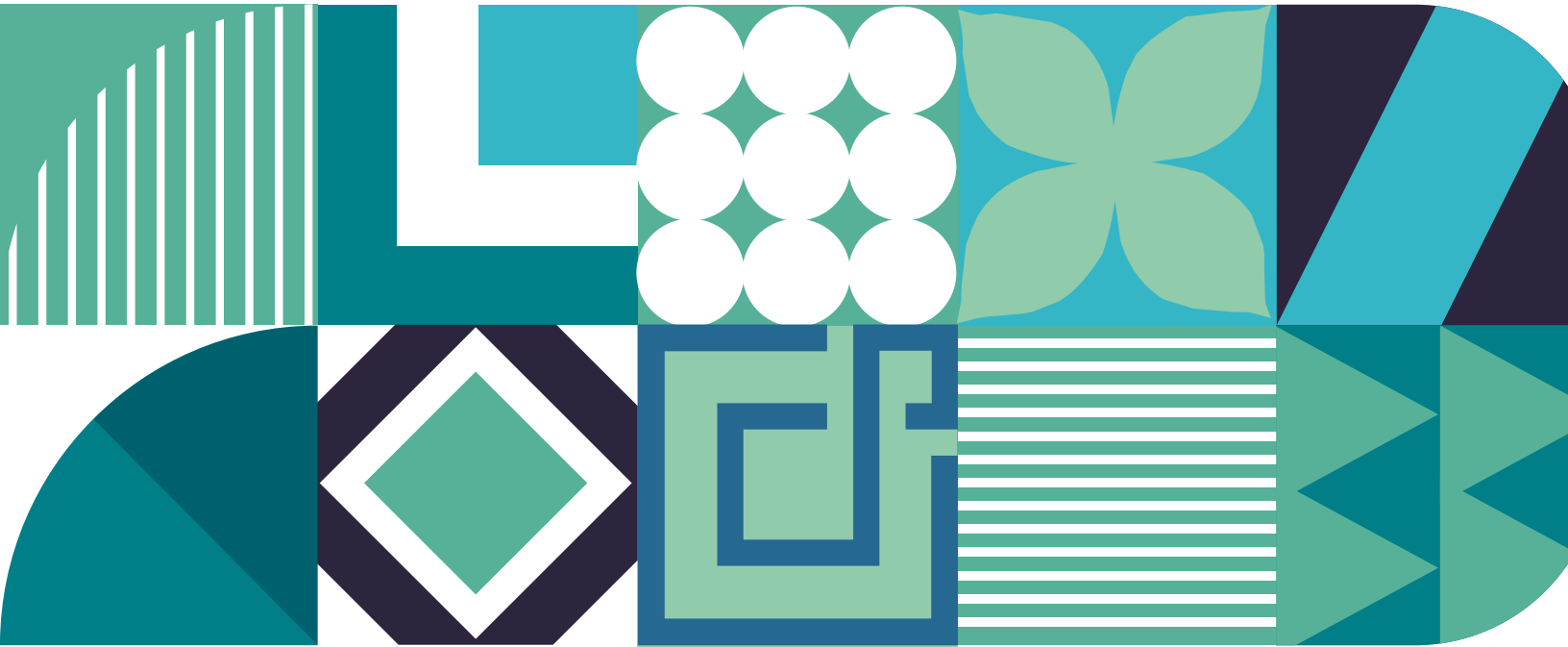
62%
have retail investor clients
entitled to receive the
new Form CRS

60%
of CCOs wear
multiple hats, including
legal duties

- The vast majority of responding firms (93 percent) have a formal **Cybersecurity** program, up from 87 percent last year. Firms are engaging in an increasing number of cybersecurity assessments and tests.
- More than half (54 percent) of respondents have adopted written **Anti-Bribery and Corruption** compliance policies and procedures addressing the Foreign Corrupt Practices Act, but a majority of responding firms (66 percent) do not provide advice to clients outside the U.S.
- 62 percent of respondents have retail investor clients entitled to receive the new **Form CRS** – and 41 percent reported they plan to deliver the form to *all* of their clients.
- The majority of CCOs (60 percent) continue to wear more than one hat, with 25 percent also serving in some legal capacity.

Both of the IAA's annual industry surveys are available on the [IAA website](#) under the **Publications** tab on the homepage. [Evolution Revolution](#) is produced in partnership with National Regulatory Services (NRS). The [Investment Management Compliance Testing Survey](#) is produced in partnership with ACA Compliance Group and BrightSphere Investment Group. 

ADVOCACY



A Congressional focus on taxes, along with regulators' increased interest in the fiduciary rule and standards of conduct for financial services professionals and on modernization of outdated rules under the Advisers Act, presented new opportunities and new obstacles for investment advisers in 2019 and 2020. The IAA – with the assistance of member firms – devoted considerable resources to advocating before lawmakers and regulators on issues of importance to investment advisers and helping these policymakers understand our profession's crucial importance to investors, the capital markets, and the economy.

Legislative Advocacy

As the leading voice for investment advisers on Capitol Hill, the IAA actively engaged with policymakers to promote the importance of investment advisers to investors, the capital markets, and the economy. We continued our longstanding efforts to maintain the SEC's primacy in investment adviser regulation and oversight against encroachment by both banking regulators and non-governmental third parties, including FINRA. And the IAA continued to educate appropriate legislators and their staffs about the unique responsibilities and fiduciary obligations that differentiate advisers from other actors in the financial services industry. We also furthered our efforts to highlight the burdens of one-size-fits-all regulation on small businesses and the cumulative impact of regulations on all businesses.

In addition to furthering these overarching policy initiatives, the IAA successfully lobbied on advisers' behalf, both directly and by engaging members in grassroots efforts:

We increased our focus on **tax issues**, lobbying to revise two provisions of the 2017 Tax Cuts and Jobs Act that are unfavorable to advisers. The first provision eliminated the previously available **deduction for investment advisory fees** that was available to taxpayers whose itemized business deductions exceed two percent of their adjusted gross income (and who were not subject to AMT). Led by the IAA and the Certified Financial Planner Board of Standards, a broad coalition – also including the Financial Services Institute, the National

Association of Personal Financial Advisors and the Financial Planning Association – called on lawmakers to restore – and expand – the deductibility of professional investment and financial planning advice. The IAA had numerous virtual meetings on Capitol Hill in an attempt to gain inclusion of this deduction in a stimulus package that Congress could consider in response to the COVID-19 pandemic.

The other tax provision that the IAA is seeking to revise rendered owners of most service businesses, including advisory firms, ineligible for the 20 percent **deduction for pass-through businesses**.

The IAA also worked closely with the House Financial Services Committee on the development of, and support for, **legislation to ease the regulatory burden of SEC rules on smaller advisory firms**. This led to introduction in the House of Representatives of H.R. 2436, the "Investment Adviser Regulatory Flexibility Improvement Act." The bill would ensure that the SEC gives appropriate consideration in its rulemakings to the regulatory burdens faced by small investment advisers as contemplated under the Regulatory Flexibility Act. It would require the SEC to develop an alternative method for classifying advisers as small entities, taking into account the number of non-clerical employees at the firm. It would not limit the SEC's rulemaking authority or mandate any specific rules. However, the SEC would have to better assess the impact of its regulations on firms that are truly small businesses and give greater consideration to appropriate alternatives that would minimize

unnecessary burdens. The IAA had hoped that the House Financial Services Committee would mark-up H.R. 2436, but action on the bill in the current lame duck session of Congress is unlikely.

The IAA is supporting **H.R. 7564**, bi-partisan legislation introduced in July 2020 by senior members of the House Financial Services Committee that would require the SEC to adopt policies and procedures to protect sensitive, nonpublic proprietary information it obtains or receives from an investment adviser from unlawful use or disclosure. The bill was introduced by Reps. David Scott (D-Ga.) and Barry Loudermilk (R-Ga.).

The IAA also supported bills that would expand the definition of **“accredited investor”** and another that would restrict the Federal Reserve’s authority to require **stress testing** by certain asset managers.

The IAA continues to monitor and discuss with lawmakers a broad range of legislative developments including, among other things, small business concerns, SEC funding, privacy, accredited investors, and proxy advisors.

Central to the IAA’s legislative advocacy efforts are regular meetings with lawmakers and their staffs, including during our annual **Adviser Advocacy Day**. Representatives of member firms convene in Washington, DC, receive issues briefings from our Government Relations staff, and attend pre-arranged meetings with legislators and staff members to advance specific legislation and the interests of the investment advisory profession in general.



The COVID-19 pandemic forced us to cancel 2020’s Adviser Advocacy Day and incorporate some of its elements into our **Leadership Week** virtual conference in October. A record number of members participated in the expanded 12th Annual IAA Advocacy Day in June 2019, visiting the offices of more than 80 House and Senate members, where – in addition to the specific bills noted above – top issues included the ever-rising costs of compliance; fiduciary duty and Regulation BI; SEC oversight of advisers; the risks of outsourcing compliance examinations to third parties; FSOC and the threat posed by imposing bank-type regulations on advisers; cybersecurity and privacy; and tax reform.

Detailed information about the IAA’s legislative priorities is available in the **Advocacy** section on the home page of the IAA website, www.investmentadviser.org. Briefing materials are available in the **Key Issues** and **Take Action Now** sections of the IAA website home page.

Regulatory Advocacy & Engagement

2020 saw an unparalleled level of regulatory engagement by the IAA as we redoubled our efforts to press our policy priorities and respond to an aggressive rulemaking agenda at the Securities and Exchange Commission (SEC), Department of Labor (DOL), and the Commodity Futures Trading Commission (CFTC). At the same time, we continued to serve as a resource to our members on regulatory interpretive and implementation issues as well as with the myriad challenges wrought by the COVID-19 pandemic.

The New Marketing Rule – a Major Victory for Members

For over 20 years, the IAA has been urging the SEC to modernize the patchwork regulatory framework that has developed in the intervening decades since adoption of the Advisers Act **Advertising Rule** in 1961. With a unanimous vote, the SEC adopted a new **Marketing Rule** on December 22, 2020, which updates both the Advertising and Solicitation Rules in a single rule. In a move that was long overdue, the SEC had proposed in 2019 a **comprehensive**

overhaul of both of these rules that was intended to modernize the rules to “reflect changes in technology, the expectations of investors seeking advisory services, and the evolution of industry practices.” The IAA strongly supported the SEC’s efforts to modernize these rules and submitted **extensive comments** on the SEC’s proposed changes in February 2020. The new Marketing Rule dramatically improves not only upon the existing regulatory framework but also upon the framework that the SEC proposed, including virtually all of the key recommendations the IAA has made over the years and that we made in our comprehensive comments on the proposal. The new rule is an important development for investment advisers that engage in any sort of marketing-related activities, including via a website, social media, or email and will make it easier for advisers to communicate in ways that clients and prospective clients expect.

The most meaningful improvements to the regulatory framework include taking a **principles-based approach** to regulation, removing the *per se* prohibitions on **testimonials and past specific recommendations**, incorporating the piecemeal guidance issued over decades into a **comprehensive approach**, and providing sensible guidance on the use of **performance advertising**. The IAA has called for these improvements for years and we applaud the SEC for its constructive action on these points. In addition, we commend the SEC for making substantial changes to the proposal in response to concerns that we expressed to (i) refine the proposed **definition of “advertising”** and (ii) drop the proposed



pre-approval of all marketing materials from the final rule. The IAA had argued that these elements of the proposal would have imposed an enormous compliance burden on advisers by impeding virtually all communications with existing clients and likely compelling advisers to review virtually all communications directed at clients and potential clients prior to their use. We also advocated for and are pleased that the SEC increased a proposed **de minimis amount of compensation** an adviser may pay for an endorsement or solicitation. The final rule increases this threshold from \$100 in a 12-month period to \$1,000. These important changes will make the final Marketing Rule significantly easier for our members to implement.

Beginning early in 2021, the IAA will hold a **series of webinars**, conduct regular calls of our members-only **Marketing Implementation Group**, and develop **comprehensive resources** to help our members navigate these sweeping changes to the regulatory framework for marketing communications and solicitations. We will also work with members and staff of the SEC to identify and obtain guidance on **interpretive issues** raised by the new rule.

Efforts Related to the Pandemic

Advocacy and Member Engagement

Beginning in late February 2020, the IAA engaged in outreach to and coordination with the SEC and CFTC to discuss challenges and **obtain related relief for investment**



advisers in connection with the COVID-19 pandemic. We also held **weekly member calls** to discuss COVID-19-related challenges and collect relevant information to help inform and support targeted regulatory relief. Following discussions with the IAA, the SEC issued an order temporarily exempting fund boards from holding **in-person board meetings** – which will likely be extended or made permanent – extended the **deadlines for Form ADV filing and delivery** and Form PF filing, removing onerous conditions to which the IAA objected, provided informal assurances related to reviews of advisers' **business continuity plans** during the pandemic, and provided relief and clarification relating to **manual, or wet, signature requirements** during remote work, and the **Custody Rule**.

While modernizing the delivery requirements for regulatory disclosures has long been an advocacy priority for the IAA, the pandemic and resulting work-from-home challenges underscored the need for the SEC to address the outdated paper default delivery framework. The IAA pressed hard for SEC relief on **e-delivery** in the earlier part of 2020, and also advocated for a delay of filing and delivery of the **new Relationship Summary, Form CRS**. While the SEC declined to delay the Form CRS rollout, it committed to



undertake a review of its outdated rules on e-delivery.

The IAA was also instrumental in obtaining COVID-19-related **relief from the CFTC** in 2020, including unconditional extensions of CPO/CTA filing deadlines and relief relating to annual pool reports and pool periodic account statements. Following joint advocacy by the IAA and other groups, the CFTC also extended the compliance schedule for certain margin requirements in response to COVID-19 challenges.

In April 2020, Congress created the **Paycheck Protection Program** to provide payroll assistance to small businesses adversely affected by the pandemic. Much was left to the Treasury and Small Business Administration to interpret and implement, which resulted in quickly shifting and often internally inconsistent guidance and interim rules. The IAA spent a considerable amount of time analyzing the statute and the various agency statements and helping guide our members through complicated questions about eligibility for and other terms of the program, the application process, and disclosure and other regulatory and reputational considerations.

COVID-19-Related Member Resources

The IAA **developed and curated several resources** in 2020 through a dedicated web page to keep members informed of regulatory updates and provide guidance and educational materials to assist them with business and regulatory challenges. We also provided several **forums for members to connect** to share challenges and best practices, including through first weekly and then biweekly calls to discuss COVID-related regulatory developments and compliance and business issues.

We also held **11 webinars and briefing calls** in 2020 that were related to the pandemic and covered a wide range of topics, from liquidity challenges in private equity to analysis of federal lending programs to adviser disclosure and client communication issues to trading challenges. We also provided members with several alerts on breaking regulatory news and COVID-19 developments.

Other 2019-2020 Regulatory Advocacy and Engagement

As the premier advocate for investment advisers, the IAA has long pressed for and will continue to support efforts to **modernize rules under the Investment Advisers Act** and make regulation of investment advisers more efficient, effective, and appropriately tailored. In 2019 and 2020, we engaged with regulators and policymakers prodigiously to further these objectives on several important fronts, submitting **47 comment letters on behalf of our members** – 19 in 2019, and 28 in 2020.

We commented to the SEC on several other rulemakings of importance to the advisory profession, including on **proxy voting**, **access to the public markets**, the **pay to play rule**, funds' use of **derivatives** and a proposed **sales practice rule**, **fair value**

Beyond responding to specific proposals and requests for public input, we have been



proactive in our advocacy, playing a leading role in furthering our policy priorities and ensuring that our members' concerns are heard by their regulators. For example, we continued to push strongly in 2019 and 2020 for **retrospective review** of outdated rules, an effort that bore fruit in the SEC's final Marketing Rule, as well as its commitment to reconsider the **Custody Rule**, and its more recent openness to modernizing how regulatory information is provided to clients. We will continue to press for modernization of regulation of advisers in 2021. We also provided resources to our members on and helped them with the interpretation and implementation of new regulations, **including with respect to Form CRS**, and the **proliferation of privacy regulations**.

The SEC's Investment Management Agenda

Standards of Conduct

After two decades of deliberation, in June 2019 the SEC issued its **standards**

of conduct rulemaking package, which is intended to raise the standard of conduct for broker-dealers, reaffirm the fiduciary duty under the Advisers Act, and reduce investor confusion as to the services offered by and standards applicable to financial professionals who serve retail investors. The IAA actively engaged with the SEC and its staff on all aspects of this landmark

rulemaking package, which incorporates many of our recommendations.

Interpretation of the Advisers Act Fiduciary Duty

The final interpretation reaffirms the special and overarching relationship of trust and confidence an adviser has with its clients. This fiduciary duty has served investors, the capital markets, the economy, and our profession well for decades and will continue to do so. The final interpretation **reflects many of the IAA's comments**, including that: (i) it was neither necessary nor beneficial to codify the fiduciary duty in a rule; (ii) advisers and their clients may scope their relationship by agreement and, once scoped, the fiduciary duty applies to all aspects of that relationship; (iii) advisers should take into account the sophistication of their client in determining how the duties of care and loyalty apply; and (iv) client consent to an adviser's conflicts need not be affirmatively obtained by the adviser but may be implied by the client's course of conduct.

Following issuance of the interpretation, the IAA conducted significant public outreach designed to ensure that our members, policymakers, other stakeholders, and the public at large understand that **the interpretation reaffirms the robust fiduciary duty** that advisers have long owed their clients.

Regulation Best Interest

The centerpiece of the package, Regulation Best Interest, includes some improved investor protection measures for customers of broker-dealers, an outcome long



advocated by the IAA. Reg BI requires that brokers act in the best interest of their retail customers at the time of a recommendation, without placing the brokers' financial or other interest ahead of the interests of the customers' interests. The new standard is satisfied if a broker satisfies specified disclosure, care, conflicts, and compliance obligations. Notably, the Reg BI standard applies **only to the moment that a transaction is recommended**, while the **fiduciary duty applies throughout an adviser's relationship** with its clients.

As part of Reg BI, the Commission has effectively prohibited standalone brokerage firms or their registered representatives from calling themselves an "adviser" or "advisor." While the SEC did not go as far as the IAA had recommended, especially as to the marketing practices of brokers, it did emphasize that brokers should take care in their marketing materials not to hold themselves out in a misleading manner.

Form CRS – Relationship Summary

A key element of the rulemaking package is the new relationship summary – **Form CRS** – that advisers and broker-dealers have had to file with the SEC and provide to retail investors since June 2020. Although the IAA argued strongly against requiring an additional disclosure document for advisers, given that they already provide full and fair disclosure of material information in the rest of Form ADV and out of concern that the form may exacerbate rather than lessen investor confusion, the SEC nevertheless moved ahead with the form. The final form **incorporates the IAA's principal**

recommendations and is a significant improvement from the proposal, but has also raised several important interpretive and implementation issues. We have been in frequent contact with SEC staff since June 2019 to obtain clarity on these issues and have worked with our members to help them implement the new requirement through an extremely active Form CRS Implementation Group.

Interpretation of "Solely Incidental"

Brokers whose advice is "solely incidental" to their brokerage business and that do not receive "special compensation" for that advice are not subject to the Advisers Act. The fourth part of the SEC's rulemaking package – unexpected because it had not been proposed – is an interpretation of the term "solely incidental." The interpretation confirms the SEC's earlier position that **ongoing discretionary advice cannot be solely incidental to the business of a broker-dealer**. However, it also indicates that the exercise of limited discretion and an agreement to monitor a customer's account could be solely incidental if these advisory activities are "provided in connection with and reasonably related to the broker-dealer's primary business of effecting securities transactions." The IAA **has long contended** that this approach **nullifies the term "solely incidental,"** and allows brokers to engage in advisory activities beyond those contemplated by the Advisers Act. Brokers



still may not receive “special compensation” for these activities, but the interpretation declines to provide additional guidance on what constitutes special compensation. We will continue to monitor broker-dealer activities and marketing to determine whether additional advocacy is called for in this area.

Proxy Issues

2019 and 2020 were big years for regulation of proxy voting, with the SEC and DOL both taking actions that make advisers’ proxy voting processes and their use of the services of proxy advisory firms to assist them with their proxy voting responsibilities more burdensome – the SEC with a final rule and guidance and the DOL with a final rule for ERISA plans. The IAA urged both regulators **not to take action that would increase the costs and burdens for**

advisers that vote proxies on behalf of their clients. We also urged the SEC not to focus its efforts on proxy advisory firms, where there is no compelling evidence that there is a problem, but instead to **review proxy infrastructure**, which is in need of urgent attention.

Although both agencies moved ahead with their rulemakings on proxy voting, they modified their proposals significantly in response to comments, **including from the IAA**. The SEC’s proxy rule codifies that advice provided by proxy advisory firms constitutes a solicitation under the Securities Exchange Act, thereby requiring an exemption from certain information and filing requirements. It also amends the exemptions for solicitations from the information and filing requirements of the proxy rules to add conditions that proxy advisory firms must meet in order to rely on the exemptions. The final rule responds to our concerns that as proposed, these conditions would diminish the independence of proxy advice, make the services of proxy advisory firms more expensive and difficult to use, and increase barriers to entry. We also strongly objected to any additional regulatory burdens that would impair investment adviser proxy voting. In response to these and other comments, the **final rule does not require proxy advisory firms to provide their reports to issuers before** providing them to their advisory clients, as had been proposed, and it **does not include a “speed bump” to slow the process down for advisers**. It also provides conditions for reliance on the exemption that are more **principles-based** than proposed, and it carves out certain **custom**



policies from its requirements. The IAA had pressed the SEC not to require advice based on custom policies to be provided to issuers because those voting policies are formulated by and tailored to the adviser and based on proprietary and often confidential information.

The SEC also issued two **guidance documents regarding the proxy voting responsibilities of investment advisers**, the initial guidance in August 2019 and supplemental guidance in July 2020, when the agency adopted the rule discussed above. Both guidance documents focus largely on advisers' use of proxy advisory firms. The August guidance is consistent with earlier SEC and staff statements but we believe it goes beyond those statements, particularly with respect to advisers' use of the services of proxy advisory firms. The supplemental guidance adds another layer of steps an adviser must, at a minimum, need to consider undertaking if it uses the services of proxy advisory firms. The IAA continues to be concerned that the combined effect of the guidance documents will make it more expensive and more difficult for advisers to vote their clients' shares and will result in some advisers declining to vote their clients' shares.

Following the issuance of each guidance document, the IAA held a webinar – [SEC Proxy Guidance for Investment Advisers](#) and [Sorting Out the SEC's New Proxy Voting Guidance](#) – to assist members in understanding and implementing the guidance. The IAA's position on proxy voting by advisers was also **featured in the *Financial Times* in November**

2019 in a [letter to the editor](#) from IAA General Counsel Gail Bernstein.

We discuss our advocacy related to the DOL's proxy proposal below.

Custody

We also support and are engaged in efforts to **update the needlessly complex Custody Rule** to facilitate advisers' compliance and more effectively protect investors. To that end, the IAA engaged with the SEC staff, IAA members, and other trade associations through 2019 and 2020 to seek to reverse an aspect of the SEC's 2017 inadvertent custody guidance stating that the **authorized trading exception under the Custody Rule** does not apply to transactions beyond those that settle on a "delivery versus payment" (DVP) basis. In March 2019, the SEC's Division of Investment Management staff sought industry input, through a letter to the IAA, on several questions involving custodial practices for non-DVP instruments and custody of digital assets. These topics are part of a larger SEC staff effort to develop recommendations to amend the Custody Rule, which is well underway. The IAA has long pressed for a **comprehensive review** of this complex and outdated rule and we are pleased that the staff is focusing on modernizing the rule. We have been developing recommendations for the staff on the non-DVP issue as well as on the Custody Rule more generally. We look forward to continuing to work with the SEC in 2021 to modernize and streamline the burdensome requirements on our members.

Electronic Delivery and Electronic Signatures

The IAA has long argued in favor of **modernizing regulations** around how advisers deliver required disclosures to their clients, pressing the SEC to **move away from the default paper delivery method** to allow advisers more flexibility in providing clients with **notice and access through other media** (e.g., email) while allowing clients to opt for paper delivery at any time and for any types of required communications. In addition, the



pandemic underscored other areas where manual regulatory processes have proven to be severely outdated, such as requirements that firms create manual signatures for filings with the SEC. The SEC in 2020 showed more openness than ever

to considering changes in these areas, including through amendments to its e-signature rules as advocated for by the IAA. SEC staff also invited the IAA to provide input on an appropriate new framework for e-delivery. We expect to work with members through our **E-Delivery Working Group** in 2021 to develop recommendations for the SEC. Following member input, we also decided to join other trade groups on a **white paper titled *E-Delivery: Meeting Investor Needs for the 21st Century***, which lays out a high level framework for the SEC to follow as it considers changes to delivery requirements.

Harmonization of Securities Offerings: Accredited Investor and Private Offerings

The IAA submitted comments to the SEC in 2019 and 2020 on several proposals on possible ways for the agency to **simplify, harmonize, and improve the exempt offering framework generally**, with the stated goals of promoting capital formation and expanding investment opportunities while continuing to protect investors. We recommended that the SEC amend the definitions of **“accredited investor”** and **“qualified institutional buyer”** to make it easier for clients of investment advisers and a broader range of entities, including non-U.S. entities, to participate in private offerings. We also commented on aspects of Regulation D offerings and recommended that the SEC permit registered funds to invest in more private funds under some conditions. The SEC adopted amendments to the accredited investor and qualified institutional buyer definitions in August 2020 in a first and welcome step to update its rules on access to the private markets. While we supported many of the amendments the SEC adopted, particularly with respect to **expanding access to the private markets for institutional investors**, we were disappointed that the SEC did not expand the accredited investor category to adopt our longstanding recommendation to include discretionary clients of SEC-registered advisers.

Similarly, the SEC adopted some, but not all, of the changes the IAA supported

or recommended on its rules relating to conducting private offerings. In November 2020, the SEC adopted rule changes relating to: (i) general solicitation and communications; (ii) requirements for information provided in a Rule 506(b) private offering; (iii) verification of accredited investors in Rule 506(c) private offerings; and (iv) integration of registered and exempt offerings. The IAA **largely supported these amendments**, but also recommended a broadening of an exemption to permit SEC-registered advisers that sponsor private funds to sponsor a “demo day” event, which the SEC declined to do. We will continue to work with our members in 2021 to develop recommendations for ways in which access to the private markets can be expanded, consistent with investor protection.

Registered Funds

Use of Derivatives by Registered Investment Companies

In late 2019, the SEC repropose rules for the use of derivatives by registered investment companies (RICs). The initial proposal, published in 2015, included controversial limits on a fund’s gross notional exposure to derivatives. The IAA submitted two comment letters in response to the original proposal, arguing that these overall portfolio limits were unnecessary to achieve the SEC’s stated goals of limiting inappropriate leverage in RICs and could undermine a fund’s ability to manage its risk. The reproposal did not include these overall gross notional limits and the IAA was generally supportive of the SEC’s revised approach.

The final rule, adopted in November 2020, requires funds that use derivatives to have a formalized **risk management program** that would be part of the fund adviser’s overall management of portfolio risk, but that would complement rather than replace a fund’s other risk management activities, including its liquidity risk management program. Funds using derivatives will also need to **comply with outer limits on fund leverage risk**. In a significant change from the 2019 proposal, the final rule also **increased the VaR limits** from the proposed 150 percent (for relative VaR) and 15 percent (for absolute VaR) to 200 percent and 20 percent, respectively. We believe that the final rule generally strikes a much more appropriate balance between investor protection concerns arising from fund leverage and an updated approach to funds’ use of derivatives than was reflected in the 2015 proposal.

As part of the 2019 reproposal, the SEC also proposed **new sales practice rules** for investment advisers and broker-dealers in connection with retail investor transactions in leveraged and inverse funds. The proposed sales practice rules included an approval process that would have required advisers and broker-dealers to conduct due diligence on retail investors’ transactions in the funds. The IAA strongly opposed the proposed policy shift away from the Advisers Act fiduciary duty’s principles-based approach. **In a significant victory for the IAA and our members**, the SEC declined to adopt the sales practice rules, although it continues to express concern with investments in these products by self-directed retail investors.

Final Fund of Funds Rule

In a policy win for the IAA, the SEC adopted a new Fund of Funds Rule in October 2020 that does not include the proposed redemption limitation on a fund that acquires an ownership interest in another fund – a controversial proposal that was vigorously opposed by the IAA and other groups. The IAA submitted comments in response to the SEC’s proposal in May 2019 explaining how the proposed redemption limits would disrupt fund management to the detriment of funds and their shareholders. Under the new rule, funds are permitted to acquire shares of other funds in excess of statutory limits without seeking exemptive relief, subject to several conditions.

Good Faith Determinations of Fair Value

After decades of guidance and interpretive releases, in April 2020 the SEC proposed and on December 3 adopted a new rule addressing how fund boards can satisfy their fund valuation obligations in light of current market realities. The final rule **modernizes the regulatory framework for fund valuation practices**, including, for example by permitting fund boards to allocate the day-to-day responsibilities of determining fair value to an investment adviser, subject to certain requirements and robust board oversight. The IAA supported these improvements to the existing framework. While not all of our recommendations were incorporated into the final rule, we are pleased that the final rule provides more flexibility to fund boards and advisers than was contemplated in the proposal.

Form 13F

In 2020, the SEC proposed to **raise the reporting threshold for Form 13F reports by institutional investment managers** for the first time since its adoption in the mid-1970s. The SEC proposed to raise the \$100 million threshold to \$3.5 billion and make other technical amendments. We supported raising the reporting threshold but recommended a substantially more modest increase – to \$500 million – that takes into account how the users and uses of Form 13F reports have evolved since the reporting threshold was originally adopted. Given that the IAA represents a very broad spectrum of investment advisers, we noted that some of our members support the Commission’s proposed threshold of \$3.5 billion, while some of our members oppose any increase in the \$100 million reporting threshold. We believe that our recommendations will **better balance the goals of transparency and limiting regulatory burdens**, especially on smaller advisers. The SEC did not finalize this proposal before the end of 2020 and it is unlikely to have traction under the new administration.

Private Equity Fund Advisers and Digital Advisers

The IAA’s Private Equity Fund Advisers Committee and Digital Adviser Committee met throughout 2019 and 2020 to discuss significant regulatory developments and their potential impact on these advisers, including holding committee meetings with senior SEC

staff. These committee discussions provided input that the IAA reflected in its engagement with the SEC.

Expanded Access to IPOs – Amendments to FINRA Rules

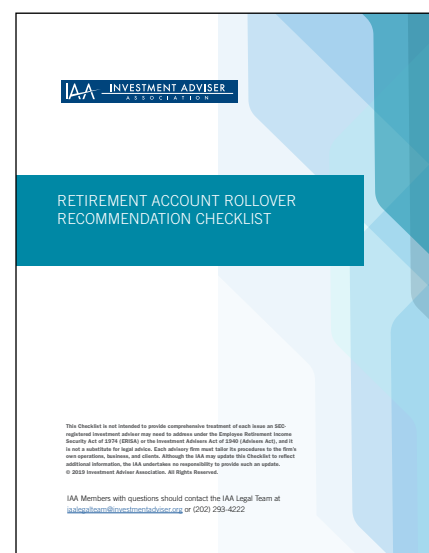
In 2019, the IAA recommended additional changes in response to a proposal by FINRA to amend its rules relating to the sale of IPO interests to allow for greater participation by foreign funds that are publicly traded and by foreign pension plans. In order to **promote fairness in the allocation of IPO interests** and protect the integrity of new issues, FINRA Rule 5130 prohibits sales of new issues to an account in which a “restricted person” has a beneficial interest. FINRA Rule 5131 addresses abuses in the allocation and distribution of new issues. Taken together, these rules generally prohibit allocations to broker-dealers, investment advisers, and others that own or control, directly or indirectly, more than 10 percent of a broker-dealer. FINRA proposed to add or modify certain exemptions under Rule 5130 from the definition of restricted person, including exemptions for sales to and purchases from foreign investment companies and foreign pension plans. The IAA generally supported these changes but asked FINRA to **amend the proposed conditions for foreign funds and pension plans** to treat them like U.S.-registered investment companies and pension plans. The SEC approved FINRA’s changes in December 2019. While the final rules do not include the amendment the IAA requested, the SEC noted that it will continue

to monitor the impact of the IPO rules on foreign funds and may consider additional modifications in the future.

Department of Labor

The DOL initiated several important rulemakings that the IAA strongly engaged on, with the help of members of the IAA’s DOL Committee, Legal and Regulatory Committee, and the Policy Task Force of the Active Managers Council.

Following the formal **vacating of the 2016 DOL Fiduciary Rule** in 2018, the five-part test for defining an “investment advice fiduciary” was reinstated and the DOL issued a temporary enforcement policy. The DOL also proposed a **new exemption for investment advice fiduciaries providing non-discretionary advice** that is consistent with the temporary enforcement policy and would essentially replace the vacated fiduciary rule. The DOL finalized this exemption on December 16, 2020 and the new exemption will go into effect 60 days after publication in the *Federal Register*, unless the Biden Administration takes prompt action to freeze its effectiveness. The DOL has attempted to align the scope of the new exemption from prohibited transactions under ERISA with either the SEC’s Fiduciary



Interpretation for advisers or Regulation Best Interest for brokers, as applicable. The IAA generally supported the proposal, although we urged the DOL to confirm that a request by an adviser to “hire me” is not fiduciary investment advice. We appreciate that the DOL has clarified this point in the preamble accompanying the exemption, although we are still reviewing that language to determine whether further clarification will be necessary. Unfortunately, the DOL did not agree with our request that it should allow all types of digital advice to be covered by the exemption rather than only digital advice with no element of human interaction.



The DOL also engaged in a rulemaking regarding **ESG investing**. In its proposal, the DOL showed great skepticism toward ESG investing, assuming that the consideration of ESG factors is non-pecuniary. The **IAA challenged that assumption** in our comment letter, and

took issue with the DOL substituting its own judgment on investment strategy for that of ERISA fiduciaries. The DOL adopted the rule, but with significant changes, including the removal of “ESG” from the rule text, and limits on certain sweeping provisions, which resulted in an **improved final rule**, although the IAA remains concerned that the rule may **chill ESG investing** by ERISA fiduciaries.

The DOL’s **final proxy rule** was published on December 16, 2020, and, with a 30-day

effective date, will go into effect before January 20, making it more difficult for the new administration quickly to put it on ice. The DOL’s proposed rule regarding **proxy voting** raised several concerns for the IAA. Under the proposal, a plan fiduciary would have been *prohibited* from voting on a matter unless it prudently determined that the matter would have an economic impact on the plan. Conversely, if the fiduciary determined that the matter would have an economic impact on the plan, it would have been *required* to vote.

The IAA urged the DOL to withdraw the rulemaking, asserting that the DOL did not provide sufficient justification for the proposal. We also explained that other elements of the proposal were unworkable and would increase the costs of proxy voting. The final rule is an improvement over the proposal largely because it moves to a **more principles-based approach**, which the IAA had recommended. However, despite the improvements, we continue to believe that the **rule is unwarranted** and may have negative consequences for plan participants and beneficiaries. Advisers that are registered with the SEC will need to comply with certain requirements under the new rule when it goes into effect on January 15. We will work to seek an extension of this deadline to provide a reasonable time for us and our members to fully analyze and address any interpretive issues raised by the new rule.

The DOL also adopted a rule regarding **electronic disclosures**. In our comment letter, the IAA **strongly supported the “notice and access” model**. To ensure that

the DOL does not bake into its regulations a preference for one investment strategy over another (e.g., passive management over active management), thereby limiting investor choice, the IAA and members of the IAA's Active Managers Council met twice with senior DOL officials. We discussed the latest research on **active management** and the importance of policymakers **not picking marketplace winners and losers through regulation**. The IAA will continue to be actively engaged with members on DOL issues through the IAA's DOL Committee.

Commodity Futures Trading Commission

The IAA's engagement with the CFTC bore fruit in 2020 with several actions by that agency to simplify requirements for CPOs and CTAs that are also SEC-registered investment advisers. For several years, the IAA has urged the CFTC to reconsider the **duplicative regulatory regime for SEC-registered CPOs and CTAs** and to work more closely with the SEC to tailor regulation of these dual-registrants to limit duplication, inconsistency, and unnecessary and costly additional burdens that add little investor protection. We have also pressed the CFTC to clarify that certain exemptions from registration with the CFTC are available for CPOs that operate non-U.S. commodity pools. The IAA met with CFTC leadership in 2019 and 2020 to discuss these issues and also submitted several related comment letters. In 2019, the CFTC adopted minor rule amendments that codify certain no-action relief and amend some of the **registration**

and compliance requirements for CPOs and CTAs, but these rule amendments did not adequately address the core issues facing CPOs and CTAs. In 2020 the CFTC adopted more meaningful amendments to streamline Form CPO-PQR, a burdensome report for CPOs adopted by the CFTC following the Dodd-Frank Act. The CFTC also adopted rule amendments **in response to our advocacy on CPOs of non-U.S. pools**. These welcome amendments relate to mandatory clearing and pool-by-pool availability of an exemption from CFTC registration.

Global Investment Performance Standards (GIPS)

A large number of our members claim compliance with GIPS, a voluntary set of global standards for presentation by investment advisers of performance information, adopted by the CFA Institute. The IAA monitors and analyzes GIPS developments with the assistance of the IAA's **GIPS Compliance Forum**, and weighs in with the CFA Institute to obtain guidance where necessary and ensure that members' concerns are considered before changes are made to the standards. 2019 saw the CFA Institute adopt significant changes to GIPS. The **GIPS 2020 Standards** became effective on January 1, 2020. **They reflect IAA comments in important respects**, including in new definitions, keeping the standards simple, providing safe harbors for already-regulated activity, and retaining flexibility in keeping with the voluntary nature of GIPS. The IAA presented a [webinar](#) on the

new standards, conducted several member calls, and provided extensive *IAA Newsletter* coverage, continuing to engage with the CFA Institute through 2020 on GIPS-related issues.

FSOC and Systemic Risk Regulation of Asset Managers

We argued in 2019 that the FSOC should not subject specific asset managers to designation as systemically important

financial institutions, but should instead adopt an **activities-based approach** to systemic risk regulation of nonbanks. The FSOC issued new interpretive guidance that reflects an activities-based approach, and **includes a recommendation made by the IAA** that the FSOC's process take into account the existing regulatory regime for asset managers,

which, we believe, further mitigates concerns over systemic risk. We will continue to monitor the FSOC's activities to ensure that we weigh in on any steps to impose systemic risk prudential regulation on asset managers.

State Law Issues

The IAA continues to **monitor state regulations** to ensure that they do not violate the National Securities Markets Improvement Act of 1996 (**NSMIA**), which provides that states may not adopt any regulations, interpretations, or guidance that would have the effect of substantively regulating SEC-registered investment advisers. For example, we engaged with Washington State after learning that it was proposing rules that were drafted to apply to SEC-registered advisers. Citing our advocacy, the state **explicitly excluded SEC-registered advisers from its final regulations**. Several states have also been active in considering their own **fiduciary regulations** in 2019 and 2020, including Maryland, Massachusetts, Nevada, New Jersey, and Oklahoma. The IAA engaged directly with the staff of the securities divisions in these states, attended public hearings, and submitted written comments urging the states to make clear that their regulations are not intended to apply to SEC-registered advisers or their individual representatives, except to the limited extent allowed by NSMIA. The first of these states to adopt a final rule, Massachusetts, **appears to have heeded our counsel**; its final regulations do not apply to SEC-registered advisers or their individual representatives, except as permitted by NSMIA.

We also weighed in on a proposal by the North American Securities Administrators Association (**NASAA**) to create a model rule to establish a **continuing education program** for state-registered investment advisory representatives (**IARs**). We worked with



our members to provide thoughtful input to NASAA on ways it could improve on the proposal to create an effective, principles-based program that will maximize flexibility and leverage existing CE efforts to minimize duplication and compliance burdens. NASAA has finalized its model rule and we expect to continue to engage with NASAA as it develops its continuing education program and criteria.

The Volcker Rule

2019 and 2020 saw further welcome changes designed to improve banking entities' implementation of the **Volcker Rule regulations**. To ensure that certain issues that directly affect **investment advisers that have a bank affiliate** were considered in any amendments to the regulations, the IAA worked with members of our **Bank-Affiliated Asset Managers Compliance Forum** on several recommendations to the five federal agencies responsible for the regulations. Our comments urged the agencies to modify the definition of "banking entity" and the covered funds provisions of the regulations to streamline and simplify requirements for bank-affiliated asset managers. The final amendments, adopted in 2020, **address several important concerns raised by the IAA**.



Effect of MiFID II on Payment for Research in the United States

The SEC continued through 2019 and 2020 to assess the impact on the research marketplace and affected participants of the EU's Markets in Financial Instruments Directive (MiFID) II requirement that **research be "unbundled"** *i.e.*, charged separately from transaction execution payments. In November 2019, the **SEC extended its 2017 relief** until July 3, 2023 for broker-dealers that are subject to the MiFID restrictions, either directly or by contract. The relief allows them to unbundle research from execution charges and accept cash payments for research without having to register as advisers. As part of its consideration of this issue, the SEC requested "data and other information about how MiFID II's research provisions are affecting broker-dealers, investors and small, medium, and large issuers, including whether research availability has been adversely affected."

The IAA and several smaller to mid-sized member firms that are not subject to but are nevertheless affected by MiFID II met with SEC leadership and staff to discuss the **indi-**

rect effects of MiFID's unbundling requirements on their businesses. We will continue to work with these members in 2021 to provide feedback to the SEC on how MiFID II is affecting their access to quality research.

Advocacy and Engagement on ESG

In addition to our ESG-related efforts before the DOL, the IAA engaged with the CFA Institute on its 2020 consultation paper on the **development of ESG disclosure standards for investment products**. While we agreed that consistency of disclosures is important, we noted that we did not believe that a new standard was needed due to multiple regulators currently engaging in

related activity in this area and the existence of multiple third-party standards. We

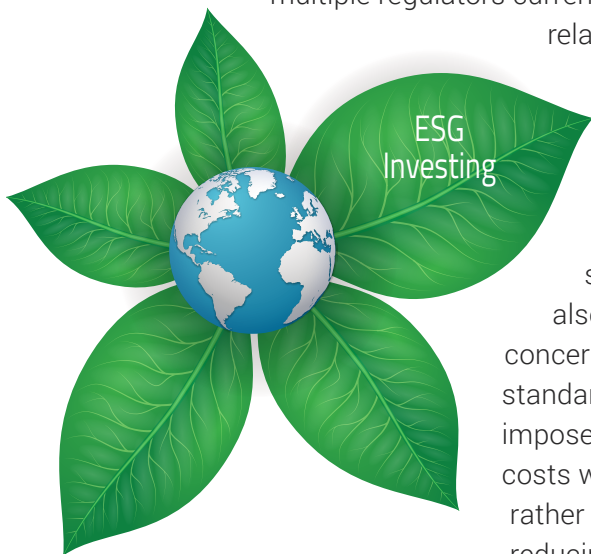
also expressed concern that a new standard would impose significant costs while increasing rather than reducing investor

confusion. We urged the CFA Institute to **wait until regulators have completed their deliberations** and then determine whether there is a need for ESG product disclosure standards. These issues were explored by the **ESG Subcommittee of the SEC's Asset Management Advisory Committee (AMAC)**, which was formed in 2020 to

provide the SEC with diverse perspectives and provide recommendations on asset management. The IAA submitted a research paper developed in 2020 by the **IAA's Active Managers Council** – *Sustainable Investing is an Active Process*. The ESG Subcommittee incorporated material from the IAA's paper in its September 2020 progress report on its consideration of potential actions in this area. The IAA and several members also met with SEC staff to discuss ESG disclosure issues. We plan to continue our engagement on ESG issues in 2021.

International Regulatory and Advocacy Issues

The IAA also focused in 2019 and 2020 on key areas affecting investment advisers and private funds on the international front. We regularly updated members on international regulatory developments through meetings of the IAA's **International Committee**, in which we discussed emerging issues relating to international compliance, regulation, and market access issues. In particular, Committee members were able to discuss issues and exchange information regularly throughout 2019 and 2020 on the many potential challenges and implications of the UK's decision to leave the EU (Brexit), as well as implementation issues relating to the EU's ESG regulations, its General Data Protection Regulation (GDPR) governing the processing of personal data of EU residents, and continuing implementation issues relating to MiFID II. The IAA will continue in 2021 to engage in international developments that will affect our members.



Advocacy and Engagement in the Year Ahead

The SEC's Division of Investment Management and the DOL followed an aggressive rulemaking agenda in 2019 and 2020. Actions of new leadership at these agencies following the change in administration will likely continue to raise challenges for investment advisers in 2021 and beyond, and much of the IAA's work will relate to responding to new regulatory proposals, helping advisers implement new rules and guidance, and identifying areas for further guidance or relief.

We anticipate several notable actions taken in late 2020 or early in 2021 will demand a significant IAA response. These include implementation of the SEC's **Marketing Rule**, a possible proposal to amend the **Custody Rule**, consideration of an **e-delivery framework**, policy actions on **ESG investments and disclosure**, and domestic or international developments that implicate **active and passive management**. We also expect that **data privacy regulation** will continue to proliferate and we stand ready to assist our members with compliance and implementation issues.

We plan to continue to work with the SEC, DOL, CFTC, and others on the IAA's positions on various initiatives and proactively recommend areas for them to focus upon, including with respect to retrospective reviews of additional rules, consideration of the cumulative impact of rules – particularly on small businesses, and more. 🌱



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A dedicated group of [21 IAA member firms](#) make up the AMC – with nine serving on the Council's Steering Committee and 12 at-large members. Chairing the Steering Committee is **Ravi Venkataraman**, Global Head of Investment Solutions at MFS Investment Management.

Also among those playing leadership roles are:

- **Christine Carsman**, Senior Policy Advisor at Affiliated Managers Group, Inc., chairs the Council's Policy Task Force,
- **Simon Hallett**, Co-Chief Investment Officer, Harding Loevner LP, chairs the Council's Research Task Force, and
- **Kristen Chambers**, Global Head of Media Relations at JPMorgan Asset Management, chairs the Council's Communications Task Force.

ACTIVE

MANAGERS COUNCIL

INVESTMENT ADVISER ASSOCIATION

AMC Research

In its effort to balance the narrative around active management, the Council has sponsored and published five major research papers in support of active management in the past two years:

- [Rethinking Survivorship Bias in Active/Passive Comparisons](#) – a Council White Paper.
- [Sustainable Investing is an Active Process](#) – a Council White Paper.
- [A More Balanced Narrative: Setting the Record Straight on Active Management](#) – by David Lafferty, then Senior Vice President and Chief Marketing Strategist at Natixis Investment Managers.
- [Active Investment and the Efficiency of Security Markets](#) – by Russ Wermers, Finance Professor at the University of Maryland's Robert H. Smith School of Business.
- [Active Management and Market Efficiency: A Summary of the Academic Literature](#) – a Council White Paper.

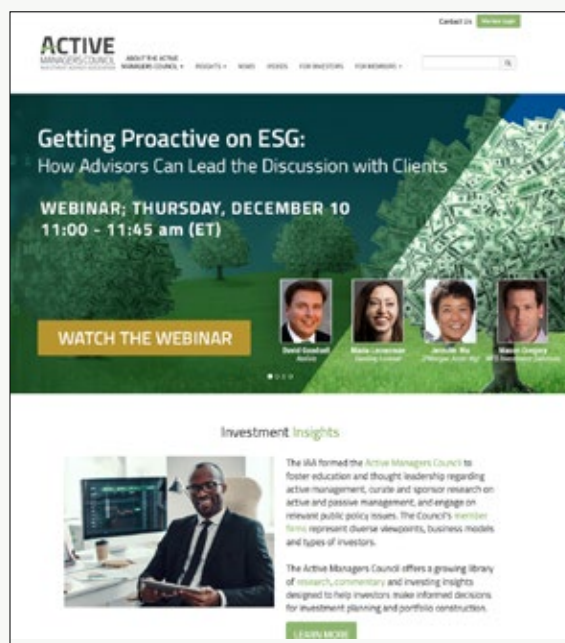
These papers built upon 2018's successful sponsored research – [Challenging the Conventional Wisdom on Active Management](#) – by Martijn Cremers of the University of Notre Dame, Jon Fulkerson of the University of Dayton, and Tim Riley of the University of Arkansas. This academic paper has received over 11,500 abstract views and 3,300 downloads on SSRN.

AMC Communications

The AMC communications effort aims to ensure accurate information about active management and to educate the media, investors, industry, and the public about the important role that both active and passive management play for investors, the markets, and the public. To that end, the AMC conducts proactive outreach to the media and responds to negative or misleading stories on active management, including submitting letters to the editor and op-eds. And the AMC engages policymakers, financial media, and industry professionals through social media on [LinkedIn](#) and [Twitter](#). The Council regularly updates those same audiences with a biweekly **News & Updates** email. Interested individuals can subscribe to the Active Managers Council News & Updates by emailing AMCBlog@activemanagers.com.

The AMC has presented three **webinars** to discuss the Council's research and its outreach, as well as to provide portfolio and investment managers with practical, business-related insights. Recordings of those webinars are available at the links below:

- [*Getting Proactive on ESG – How Advisers Can Lead the Discussion with Clients*](#) (December 2020)
- [*A Balanced Narrative on Active Management and How We're Setting the Record Straight*](#) (April 2020)
- [*Changing the Narrative: The AMC's First Year*](#) (April 2019)



The Council has also presented research and information on active management in webinars for the Mutual Fund Directors Forum and Independent Directors Council to educate fund directors on active and passive management.

To further illustrate and frame the topic for investors and policymakers, the Council produced a growing **library of videos** highlighting a more balanced approach to active and passive investing. Those videos, which can be found on the AMC Website's [Videos](#) page and on the [AMC YouTube](#) channel, include David Lafferty, Prof. Martijn Cremers, and Prof. Russ Wermers discussing the findings of their research for the AMC, as well as industry portfolio managers discussing the value of active management strategies.

The AMC has continued to enrich its website – by posting [new blogs](#) and relevant [research](#) regularly, adding a [Learning Center](#) for retail investors, and a [Videos page](#).

AMC Policy Outreach

The AMC's Policy Task Force has actively engaged elected officials on Capitol Hill and beyond, ensuring the rights of investors were upheld and legislators were not putting their thumbs on the scale in favor of one type of investment over another. Efforts included:

- Meetings with U.S. Treasury, SEC and Department of Labor officials.
- Meetings with U.S. Congressional Senate and House of Representatives committees

and legislators' staffs in Washington, DC.

- Ongoing outreach to non-U.S. trade groups to share our mission and message.
- Comment letters on key policy proposals, including most recently participating in the IAA comment letter to the DOL on its ESG proposal, focusing on implications for the active/passive landscape.

The AMC and its task forces will continue to aggressively advocate for the interests of active managers by promoting a balanced narrative – active *and* passive – in 2021.

AMC Steering Committee

Affiliated Managers Group, Inc.

Prides Crossing, MA

Fidelity Investments

Boston, MA

Franklin Templeton Investments

San Mateo, CA

GW&K Investment Management

Boston, MA

Harding Loevner LP

Bridgewater, NJ

Invesco Advisers, Inc.

Atlanta, GA

J.P. Morgan Asset Management

New York, NY

MFS Investment Management

Boston, MA

Natixis Advisors, L.P.

Boston, MA

At-Large AMC Members:

Ariel Investments, LLC

Chicago, IL

Clifford Swan Investment Counsel

Pasadena, CA

Diamond Hill Capital Management, Inc.

Columbus, OH

Edgewood Management LLC

New York, NY

Frost Investment Advisors, LLC

San Antonio, TX

Granite Investment Partners, LLC

El Segundo, CA

Horizon Investments

Charlotte, NC

Klingenstein Fields Wealth Advisors

New York, NY

Luther King Capital Management

Fort Worth, TX

Mairs & Power, Inc.

St. Paul, MN

Tealwood Asset Management

Minneapolis, MN

Vulcan Value Partners, LLC

Birmingham, AL

COMPLIANCE



The IAA has long taken the lead in assisting its broad membership in understanding their compliance obligations and in providing crucial guidance and information for implementing efficient and effective compliance solutions. The business and economic disruptions caused by the COVID-19 pandemic created unexpected and unprecedented challenges for us all – and the IAA spent much of 2020 working with regulators to clarify and ease advisers’ regulatory burdens – and to keep its members fully informed and up-to-date on rapidly changing regulatory relief and new regulatory obligations.

Responding to the Pandemic

The IAA rapidly implemented a multi-pronged approach to assist members with business, legal, regulatory and client relations responses to COVID-19's disruptions.

The IAA legal team **conferred regularly with staff at the SEC** and other regulators to advocate for appropriate regulatory

relief – and initiated regular conference calls with members to discuss in depth the operational challenges they were facing, so regulators could be fully informed of the real world impact of the pandemic on advisory firms.

We created a **Coronavirus Response Resources**

section on our website, emailed frequent Member Alerts, and posted **pandemic-related content** frequently on *IAA Today* to inform members

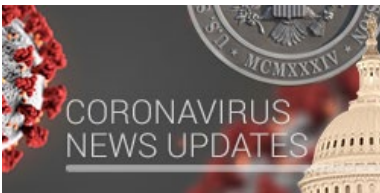
immediately of new developments. Website resources included constantly updated **regulatory relief charts**; postings of **guidance** from the SEC and other regulators; links to **recovery and office reopening** resources, and more.

The IAA presented **11 pandemic-related webinars** and briefing calls that covered topics from liquidity challenges to analysis

of federal lending programs to adviser disclosure and client communications issues to best practices for reopening offices. Recordings of those webinars and calls are available through the links below:

- [*Uncharted Waters: Navigating Advisory Office Re-Entry*](#) (July 22, 2020)
- [*Private Equity Managers and the COVID-19 Liquidity Crunch*](#) (April 13, 2020)
- [*What Advisers and Clients Need to Know about TALF Funds & CARES Act Title IV*](#) (April 17, 2020)
- [*Adviser Disclosures and COVID-19*](#) (April 9, 2020)
- [*What Advisers and Clients Need to Know about the CARES Act*](#) (April 7, 2020)
- [*LIBOR Transition in Light of COVID-19*](#) (April 7, 2020)
- [*Best Execution & Trading in Fixed Income and ETFs in the COVID-19 Environment*](#) (April 6, 2020)
- [*Best Execution & Trading in the Equities Markets in the COVID-19 Environment*](#) (April 2, 2020)
- [*Answering Clients' Portfolio Questions*](#) (April 3, 2020)
- [*Access to Small Business Loans under the CARES Act*](#) (April 3, 2020)
- [*Addressing IA Coronavirus Concerns*](#) (March 18, 2020)

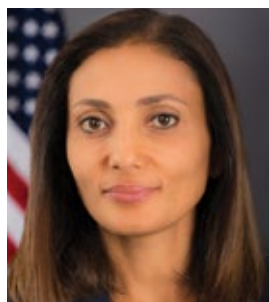
It appears business and operational disruptions will continue at least through the first quarter of 2021. The IAA will continue to update its online resources and will continue to keep members informed of new developments.



Investment Adviser Compliance Conference

The IAA's annual Compliance Conference has become the premier conference of its kind, and each March hundreds of advisory firm legal and compliance officers come to Washington, DC to hear from dozens of industry experts, peers and regulators – including SEC Commissioners and staff.

We were able to stage our **2020 Compliance Conference** live – the pandemic had not yet forced lockdowns and cancellation of in-person group events. Some 500



Dalia Blass, Director of the SEC's Division of Investment Management

attendees heard a [keynote speech](#) from SEC Commissioner **Allison Herren Lee** – who was highly critical of the SEC's approach to proxy matters – as well as sessions featuring SEC Enforcement Co-Director **Steven Peikin**, OCIE Director **Peter Driscoll**, and Division of Investment Management Director **Dalia Blass**. Videos of their remarks and other conference general sessions are available online [here](#).

The conference also featured 15 breakout sessions on topics ranging from cybersecurity to GIPS to proxy matters to vendor due diligence to [preparing for Form CRS](#) and more. Videos of those breakout sessions are available [here](#).

Then-SEC Commissioner **Robert Jackson, Jr.** was the [keynote speaker](#) at our 2019 Compliance Conference and addressed such topics as Regulation Best Interest and Form CRS – which were then in the proposal stage. Videos of remarks by Jackson and SEC Enforcement, OCIE and Investment Management staff are available [here](#).



SEC Commissioner Allison Herren Lee was our 2020 Compliance Conference keynote speaker, while then-Commissioner Robert Jackson, Jr. was the keynoter in 2019.



TOP: IAA General Counsel Gail Bernstein leads a discussion of SEC examination and enforcement priorities with Division Directors – Enforcement’s Steve Peikin (left), OCIE’s Peter Driscoll, and Nick Morgan (far right), Partner at Paul Hastings LLP.

MIDDLE: At our 2019 Compliance Conference, IAA General Counsel Gail Bernstein discusses SEC priorities with OCIE Co-Deputy Director Daniel Kahl and Division of Enforcement Co-Director Stephanie Avakian.

BOTTOM: *InvestmentNews* Senior Reporter Mark Schoeff, Jr. discusses future trends in the advisory profession with Brian Gallagher of 1919 Investment Counsel, LLC, Lillian Peros of Fidelity Investments, and Robyn Forman Pollack of AchieveNEXT at our 2020 Conference.



Because of the COVID-19 pandemic restrictions, our 2021 Compliance Conference is expected to be a virtual event.

Compliance Workshop Series

The IAA's fall Compliance Workshop series typically involves a series of in-person events in eight to 10 cities around the country. Because of the pandemic, however, our [2020 Compliance Workshops](#) were staged as a single virtual event over two days in early December.

The event featured several general sessions, which covered Hot Topics and Implementation Challenges for Advisers; A Regulatory and Legislative Update; "Ask the Experts" sessions for smaller advisers and for larger advisers featuring industry compliance experts; and Fiduciary Obligations for Identi-

fying, Managing and Disclosing Conflicts of Interest. There were also breakout sessions featuring SEC Regional Office officials from the Atlanta, Boston, San Francisco, Chicago, Denver, Philadelphia, Fort Worth, New York, and Los Angeles regional offices.

As with all IAA virtual conferences, recordings of all sessions are available to conference attendees. To benefit all IAA members, we are making two of the 2020 Compliance Workshops videos publicly available: [Hot Topics](#) and [Regulatory and Legislative Update](#).

Legal Team Inquiries

The IAA's legal team serves as an invaluable resource for compliance professionals and in-house legal staff. The IAA's legal experts responded to more than 1,500 requests for information on a wide range of legal, regulatory, and compliance issues in 2019 and 2020. Issues generating the most inquiries included the SEC's standards of conduct rule-making, including Form CRS; proxy matters;



cybersecurity and data security; SEC inspections and examinations; GIPS; and compliance programs and risk assessment.

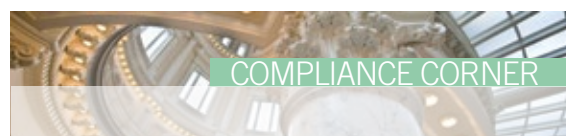
Online Compliance Resources

Our robust, members-only online **Legal/Regulatory Library** and associated compliance materials remained among our most utilized resources through 2019 and 2020. Those resources provide extensive materials covering every major adviser compliance issue. Each topic area includes IAA guidance, including any relevant compliance control; IAA webinars; templates, training materials and case studies; IAA comment letters and statements; outlines, articles and memoranda from a variety of sources; and links to selected rules, significant no-action letters, and other regulatory guidance. Those resources are available exclusively to IAA members under the **Resources** tab on the home page of the IAA website.

The IAA also presents an annual series of **compliance-related webinars**. In addition to COVID-19-related webinars discussed above, compliance-themed webinars in 2019 and 2020 looked at issues including [Proxy Voting Guidance](#), [Avoiding Trade Errors](#), [Enterprise](#)

[Risk Management](#), [M&A](#), [Financial Conflicts of Interest](#), [Preparing for Form CRS](#), the [Move to Zero Commissions](#), the [Market Impact of the New 2020 GIPS Standards](#), and more.

Recordings of all past IAA Webinars are available free to IAA members and Associate Members on our [Recorded Webinars](#) page.

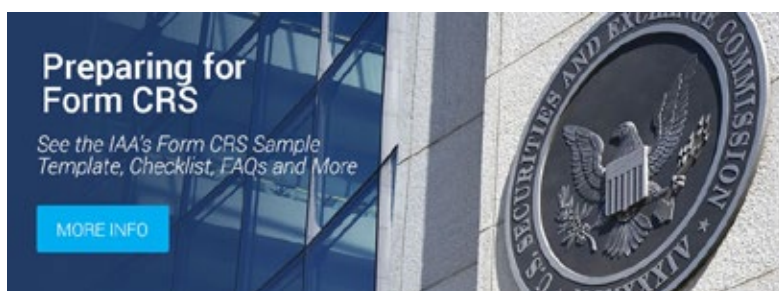


Monthly In-Depth Newsletter Compliance Columns

Each month in our online newsletter *IAA Today*, our **Compliance Corner** column – authored by leading compliance and legal professionals – takes an in-depth look at a topic of current concern. Periodically, we post **Guest Columns** that are also devoted

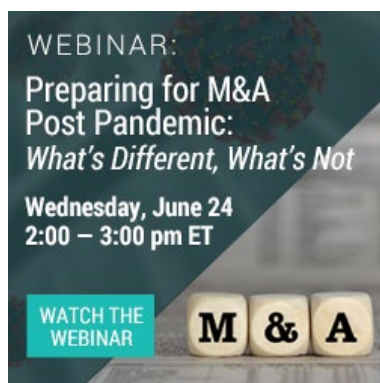
to timely compliance topics. In 2019 and 2020, the columns tackled such topics as [insider trading](#) issues, [pitfalls in advisory billing practices](#), [subadvisory agreements](#)

for registered funds, complying with state privacy regulations, conflicted compensation, regulatory implications of artificial intelligence, and more. All Compliance Corner columns are available [here](#).






The IAA's webinar series – free to IAA members and Associate Members – cover a wide range of compliance- and business-related topics and feature legal and industry experts. Recordings of past webinars are available on our [Recorded Webinars](#) web page.



Committees and Working Groups

The IAA's committees, working groups and compliance forums provide members with shared interests and challenges an opportunity to exchange information, build peer relationships and to help shape IAA policy and advocacy positions. A full roster

of those groups – along with summaries of the business they conduct and topics they discuss – is available [here](#) on the **Members Only** section of the IAA website.

Employees of member firms are encouraged to participate in IAA committees, working groups and forums. 

ENGAGEMENT» INFORMATION» EDUCATION



The IAA provides a valuable suite of services to keep members up-to-date on issues affecting the investment adviser profession – so they can remain competitive, serve their clients, and build their businesses while staying on the right side of regulators. In addition to our annual Leadership Conference, Compliance Conference and Compliance Workshops, the IAA offers webinars, publications, online resources, and surveys covering a wide range of business practice, compliance, and regulatory issues. And we provide numerous networking opportunities through executive roundtables, policy and compliance committees, working groups, and online communities for members to share information, exchange ideas and build enriching professional relationships.

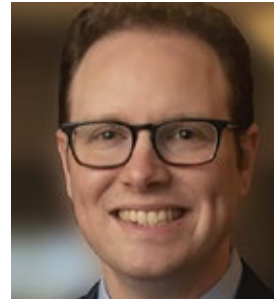
Conferences

Details about the IAA's Investment Adviser Compliance Conference and Fall Compliance Workshops appear in the [Compliance](#) section of this publication.

The IAA Leadership Conference

Designed especially for investment advisory executives, the IAA's Leadership Conference *View for the C-Suite* provided a content-rich program that focused on demographic, economic and professional development trends that will shape how advisers do business in the future. Because of the COVID-19 pandemic, our

2020 event was refashioned as a virtual conference that took place October 5-8 and was renamed [Leadership Week](#). In addition to general sessions exploring current technology, management, privacy, and policy issues, our virtual conference offered the peer-to-peer engagement breakout sessions that have become an increasingly popular program feature. This year's conference also incorporated political forecasts and analyses that typically are part of our



**Diversity, Equity, & Inclusion:
An Investment Industry Imperative**



Dana Emery
Dodge & Cox

Gilbert A. Garcia
Garcia Hamilton & Associates, L.P.

Wendy E. John
Fidelity Investments

Keith A. Lee
Brown Capital Management

John W. Rogers, Jr.
Ariel Investments

Watch the Video



FROM TOP: Political analyst David Wasserman of *The Cook Political Report* made election predictions during our virtual 2020 Leadership Week. Internationally known economist Arthur Laffer and political analyst Amy Walter, also of *The Cook Political Report*, were featured speakers at our 2019 Leadership Conference.



IAA LEADERSHIP WEEK

A Virtual View for the C-Suite
OCTOBER 5-8, 2020

Adviser Advocacy Day program, as Adviser Advocacy Day had been cancelled.

Perhaps the centerpiece of our 2020 program was a general session on a topic that is an industry imperative – **Diversity, Equity & Inclusion**. A video of that session – in which industry leaders with careers-long dedication to DE&I values shared their experiences and thoughts about the challenging path forward – is available [here](#).

Major political and economic analysts who have appeared at IAA Leadership Conference programs in 2019 and 2020 include **Amy Walter**, National Editor of *The Cook Political Report*, **Arthur Laffer**, economic adviser to Presidents Reagan and Trump, and **David Wasserman**, House Editor of *The Cook Political Report*.

Trading and Best Execution Summits

In 2019, in partnership with [Capital Markets Strategies](#), the IAA launched what has become an annual program – our **Trading and Best Execution Summit**. The summit is typically attended by buy-side professionals and is focused on how regulatory changes –

particularly sweeping SEC initiatives designed to bring significant change to market structure and trading in the U.S. – are likely to affect how investment advisers approach and manage their trading and best execution obligations and governance.

The 2019 summit was a live, one-day event in New York. Our 2020 summit was virtual. Keynote speakers were SEC Commissioner **Hester Peirce** and SEC Director of the Division of Trading and Markets **Brett Redfearn**. [Videos of the 2020 summit's eight sessions](#) – which cover topics ranging from new regulatory developments to the impact of the COVID-19 pandemic to technological advances to data management and more – are available free to IAA members and Associate Members.



SEC Commissioner Hester Peirce and Brett Redfearn, Director of the SEC's Division of Trading and Markets, were keynote speakers at our virtual 2020 Trading and Best Execution Summit.



Executive Roundtable Series and More

The IAA enhanced its business-focused programming for C-Suite executives in 2019 and 2020, expanding its series of by-invitation-only **Executive Roundtables** – staging 11 live roundtables in nine cities in 2019 and three virtual roundtables in 2020. The roundtables provide forums for small groups of executives – typically 12 to 20 – to build relationships, discuss matters of common concern and to hear from experts on timely business issues.

Our virtual Executive Roundtables were held September 9-10, with participation by time zone – Pacific, Central, and Eastern. Members shared experiences of managing their firms during the pandemic, with a particular focus on outcomes and potential long-term effects on the upside. The conversation was energetic, and participant feedback was positive.

The IAA continues to create new opportunities for individuals with similar professional interests to share information and best practices. This year, the IAA launched **human resources** and **Diversity, Equity & Inclusion** member groups.

Assisting members with promoting and implementing diversity and inclusion at their firms is a **high priority** for the IAA. The IAA seeks to promote diversity, equity, and inclusion as a value for our industry, consistent with, and as an extension of, our core values to uphold high standards

of integrity and public responsibility and acting in clients' best interests. As an association, we have hosted sessions over the years designed to achieve that end and are working to make our efforts more formal, more strategic, and more impactful. In 2021, with the involvement of our members, the IAA will be creating a robust collection of resources to assist members in pursuing DE&I objectives within their firms, including training, internship partners, recruiting channels, employee support, and more.

The IAA will keep members informed of new groups – and how to join them – through our online newsletter [IAA Today](#), our [website](#), and other member communications.

Webinars

One of the most popular – and effective – ways for members to stay up-to-date on issues affecting investment advisers is through the **IAA Webinar Series**. Live and recorded webinars are free to IAA members and Associate Members. In 2019 and 2020, the IAA presented more than 40 webinars and briefings on legal, regulatory and compliance topics as well as on business topics. Over 4,000 individuals from member firms attended live webinars. Recordings of all past webinars are available on the IAA website on our [Recorded Webinars](#) page.



Surveys & Publications

The IAA publishes two major publications each year that document and track important trends in the investment adviser industry – ***Evolution Revolution*** and the ***Investment Management Compliance Testing Survey***. Details of the findings from the latest of these surveys are available in the [State of the Profession](#) section of this publication.

Introducing *IAA Today*, our Online Newsletter

The ***IAA Newsletter*** has always served as a key component of our communications with members – providing comprehensive, timely information about significant legal, regulatory and compliance developments, business practice issues, and IAA-sponsored events. To better serve our members, in late 2019 we launched ***IAA Today*** – an online version of our traditional monthly newsletter – to bring members news and information important to our industry far more quickly than a monthly publication allows. And each week, we send members an ***IAA Today Brief*** email, alerting them to new content posted on *IAA Today*.



Member Alerts, Updates and Social Media

The IAA uses several **electronic platforms** to provide members with notice of late-breaking developments and IAA activities.

In 2019 and 2020, the IAA issued more than 50 **Member Alert** emails to inform

members immediately of significant new developments, including ongoing developments with the SEC's Standards of Conduct rule proposals, SEC exam priorities and Risk Alerts, and more.

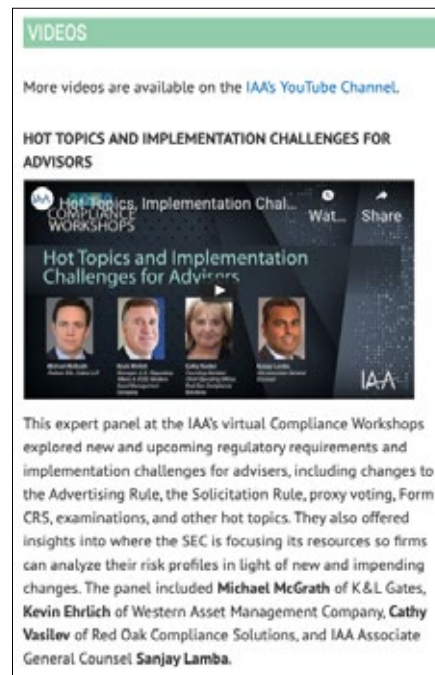
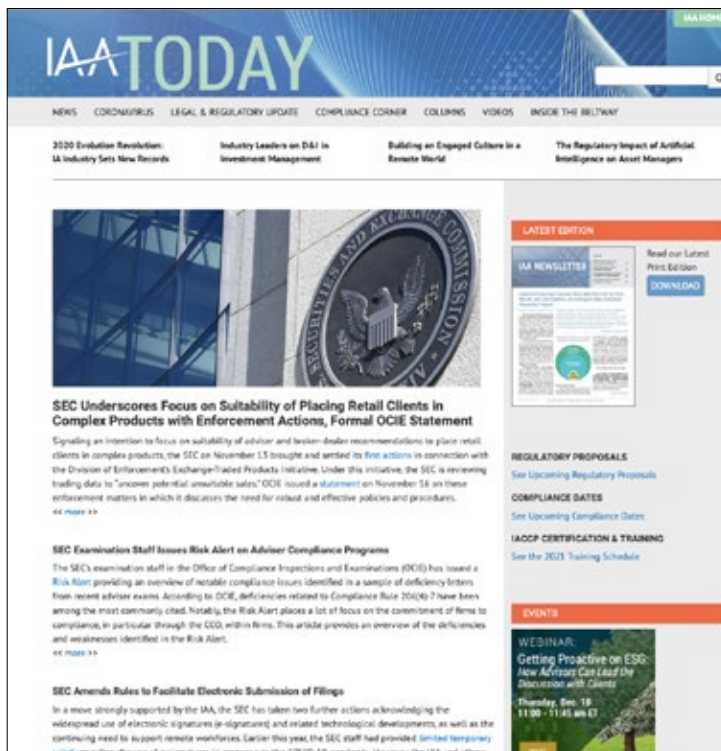
The IAA's quarterly email **IAA Update** details IAA activities/benefits for the previous quarter, with summaries of each that link to the original materials online. The segments of the email include Member Alerts, Comment Letters, Webinars, Committee Activities and more. The IAA Update is emailed to all registered contacts at member firms.

More than 500 viewers a month visit the **IAA's YouTube Channel** to watch our more than 100 videos addressing compliance and business topics – including presentations by SEC officials and breakout sessions at the IAA conferences. A number of those videos are also available on our **IAA Today Videos** page. We also post frequently to the social media channels **LinkedIn** and **Twitter** to inform members about timely events, relevant news articles, regulatory actions and more.

Professional Development for Compliance Professionals

The IAA continues its co-sponsorship of the **Investment Adviser Certified Compliance Professional (IACCP®) Program** and related Investment Adviser Core Compliance Program with **National Regulatory Services (NRS)**. In 2020 alone, more than 145 compliance professionals enrolled in the IACCP/Core program. 

Among the ways the IAA communicates regularly with members are through its online newsletter *IAA Today* and its dedicated VIDEOS page; our quarterly IAA Update email; and annual reports such as *Evolution Revolution*. And in partnership with National Regulatory Services, we provide education and training for compliance professionals through our IACCP® program.





Celebrating David Tittsworth

The investment advisory profession lost one of its most influential voices, and the IAA lost a beloved leader, when our former President & CEO David Tittsworth passed away in January of this year after battling multiple myeloma, a form of blood cancer. He was 66.

At his passing, the outpouring of grief – and love – for David was overwhelming. Clearly, he touched many of us in a profound, positive and lasting way.

When David took the helm of what was then the Investment Counsel Association of America in 1996, he was tasked with taking a two-person operation from New York to Washington, DC and building it into a prominent association that would hold its own with organizations representing brokers, bankers, insurance agents and other players in the financial services ecosystem.

A very tall order. But David Tittsworth was up to the job.

He certainly had the legal and industry smarts – a graduate of the University of Kansas Law School, David had been partner and general counsel at what's now Chambers, Conlon & Hartwell, representing the IAA and other clients. And he had the political savvy, after serving in various positions in the Kansas state government and on Capitol Hill, where he was a staffer for the House Budget Committee, senior counsel to the House Subcommittee on Transportation, Trade and Hazardous Materials, and counsel to the House Committee on Energy and Commerce. Add to that a healthy dose of Midwestern manners, humility, and charm, a strong sense of humor, a quick wit, a warmth for people and a passion for principle – especially the



CLOCKWISE FROM TOP LEFT: David (far right) with members of the staff he built at a 2014 conference. Bottom, from left: Lisa Gillette, Alex Ioannidis and Andrea Owens. Top, from left: Ben Coffinberger, Megan Olson, Neil Simon and Linda Mackey. All but Coffinberger and Owens are still with the IAA.

David testifying before the House Financial Services Committee in 2012, opposing a proposal to expand FINRA's jurisdiction to cover investment advisers. The measure never received a vote.

David charming attendees at the IAA's 2014 Leadership Conference.



fiduciary duty. He had all the right attributes for building a strong professional community based on shared interests.

Over the next 18 years, David grew a small shop serving 200 member firms managing \$1 trillion in assets into a 16-person staff with more than 500 members managing more than \$12 trillion, raising the profile of the profession and its trade association. When he retired from the IAA in 2014, David was bullish on the organization's future, and rightly so. Building on his foundation, the IAA now has more than 650 member firms managing more than \$25 trillion. After his retirement, David remained closely involved with us through IAA Associate Member Ropes & Gray, where he represented asset management firms.

Of all of his accomplishments, the one many in the industry point to as pivotal was his leadership in beating back legislation to expand FINRA's SRO jurisdiction to include investment advisers. In June 2012, David testified against the bill before the House Financial Services Committee. The bill never came to a vote.

Among longtime IAA members, David will be most affectionately remembered for his virtuosity as a pianist and performer of self-penned lyrics to well-known tunes honoring – and sometimes poking good-natured fun at – IAA Board Members when their terms as governors expired. His theatrical flair, creativity, and musicianship not only provided the entertainment for the closing dinner of every IAA Annual Conference but also created a shared experience and bonding for those attending those conferences.

Film makers Michael Herzmark and Melissa Wayne – longtime friends of David's – produced this [video tribute](#), which was shown at David's memorial service in Washington, DC on February 13.

David was loved and respected, and he touched all of us deeply. Here, we're sharing some of the many tributes we received.

The FinReg world—and the world as a whole—lost someone wonderful today. No matter how contentious the issue, David's calm, wise, kind approach made the conversation better.

SEC Commissioner Hester Peirce, *in a January 8 tweet*

I had the great fortune to know and work with David and the IAA for the better part of 20 years, and it is hard for me to put into words the many positive ways he impacted me. Yes, he was a consummate professional, and leader (dare I say savior?) of the ICAA/IAA, and a great person to work with. But David was so much more – a wonderful person – warm, engaging, friendly, humble, loyal, caring, could make you laugh or smile even when you might not want to. These are the real reasons I loved David, and will miss him. But I will not ever forget him.

E. Blake Moore Jr., *former Chair, IAA Board of Governors, Chief Executive Officer, Touchstone Investments*

David was one of the best, most decent human beings I've ever had the good fortune to work with. This is terrible news indeed.

Barbara Roper, *Director of Investor Protection, Consumer Federation of America, in a January 8 tweet*

David was the consummate professional. He was very knowledgeable about the investment advisory industry and the regulatory environment in which it operates. He was an able advocate for the industry but always was guided by what the right answer was for the clients of investment advisers. He always was a gentleman and a true friend. He will be missed.

Andrew "Buddy" Donohue, *former SEC Chief of Staff*

I had the honor and privilege to work closely with David from 2009 through 2013 during the post Madoff, Dodd-Frank enacting and implementation period. Needless to say those were not easy times for our industry. Nevertheless, David's ardent advocacy for the IAA community and the investment advisory profession was unparalleled. We are immensely grateful to have had David's outstanding service on our behalf. He was a gifted professional, musician and a genuinely wonderful human being. Among many of David's gifts was the ability to bring people together, he could make a large group setting feel intimate as he addressed the audience with sincerity and warmth. Another gift was his song writing and tickling the ivories. He brought joy to so many with his songs. I will forever cherish my song written and sung by David to the tune of *The Impossible Dream*. Thank you, David, for being my mentor, colleague and friend. I will miss you very much.

Vivian Pan, *former Chair, IAA Board of Governors, Former Senior Partner, Hamlin Capital Management*

A gentleman, colleague, friend, entertainer and one of the nicest, kindest men I have ever known. He will long be remembered for his dedication, constant advocacy and stalwart support of our industry. For all of his many professional contributions, we will forever owe him a debt of gratitude. Those of us who have had the honor of working with DT and knowing him as a friend and colleague will always remember his warmth and charm. We will hear in our heads that soft drawl saying "I'm just a country boy from Kansas" and recall the songs he wrote each year for members of our Board of Governors who were departing after completing their terms, making the leaving oh so bittersweet. I remember the first time I heard him sit at the piano and sing one of those tributes. I marveled at the talent, wit and gift of it all. That was DT. It was DT who brought me into the IAA fold nearly 25 years ago, and DT who last spring, always generous with his time, gave me sage advice ahead of my stepping into the role of Chair of our Board. Thank you DT, I will always be grateful for knowing you. You will be missed greatly.

Chris Carsman, *Chair, IAA Board of Governors, Senior Policy Advisor, Affiliated Managers Group*

David Tittsworth is one of the most articulate and instrumental voices in favor of the fiduciary standard of care for investment advisers. (His June 6, 2012 testimony before the House Financial Services Committee) is perhaps the clearest and most comprehensive explanation of why a self-regulatory organization for investment advisers is not in the best interest of investors or for effective oversight of investment advisers. We are fortunate to have David on our side in the debate over the fiduciary standard of care. He is the ideal spokesperson on behalf of investment advisers who are serving the best interests of their clients.

Ron Rhoades, *Chair of the Committee for the Fiduciary Standard, presenting David with its 2014 Fiduciary of the Year Award*

Through his many years as the leader of the Investment Adviser Association, David was a tireless champion and great ambassador of the investment adviser industry. Unfailingly gracious, he was a consummate professional and true gentleman. He was an outstanding recruiter of Association volunteers and had a keen eye for talent in the professional staff that succeeds him. It was an honor and a privilege to work with him. He was a good friend. We will all miss him dearly.

Scott Richter, *Former Chair, IAA Board of Governors, Managing Director, J.P. Morgan Asset Management*



PARTNERS

Through the IAA's Sponsorship Program, our Associate Members – law firms, custodians, consultants, accounting firms and others that provide services and resources of value to investment advisers – are able to increase their engagement with IAA member firms while allowing the IAA to provide a greater range of programs to serve members. Sponsorship opportunities are available for our major conferences, our compliance

workshop series, webinars, executive roundtables, Board of Governors luncheons and more. To learn more about sponsorship opportunities, please contact IAA Marketing & Partnerships Manager **Alex Ioannidis** at alex.ioannidis@investmentadviser.org.

The IAA would like to thank the firms that partnered with us to support programming and events held throughout 2019 and 2020:



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